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LEBANON : COUNTRY DEVELOPMENT STRATEGY
1997-2002

1997

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Glossary of Acronyms

AA	Assistant Administrator
ANE	Bureau for Asia and the Near East
ASHA	American Schools and Hospitals Abroad
AUB	American University of Beirut
BHR	Bureau for Humanitarian Response
BSE	Beirut Stock Exchange
CDF	Community Development Fund
CIB	Central Inspection Board
CLD/SUNY/A	Center for Legislative Development State University of New York in Albany
CPS	Country Program Strategy
CSB	Civil Service Board
ESF	Economic Support Funds
FY	U.S. Fiscal Year (October 1 - September 30)
GAO/L	Government Accounting Office/Lebanon
GOL	Government of Lebanon
HA	Hectare
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
IWSAW	Institute for Women's Studies in the Arab World
LAU	Lebanese American University
NARP	National Administrative Rehabilitation Program
NGO	Non-Governmental Organization
PVO	Private Voluntary Organization
SEC	Securities and Exchange Commission
SPO	Special Objective
SVP	Small Value Procurement
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Preface

Customer Participation in the Preparation of this CPS

Managing the Lebanon program from Washington places severe limits on USAID's ability to involve customers in the planning process. To complete this strategy USAID relied on grantees, experienced Lebanese staff and other colleagues in Embassy/Beirut, along with collected studies, impressions and information from oversight visits. In November, 1996, in anticipation of an increase in ESF funding for Lebanon, USAID/W hosted a one-day workshop with USAID NGO partners in Lebanon to solicit their input for the development of a new strategy and Performance Monitoring Plan (PMP). Talks were held with other donors (especially the World Bank and the United Nations Development Programme which have broad perspectives on Lebanon's needs and programs), private sector firms, and with Lebanese academics and leaders interested in U.S. support for reconciliation and modernization of the country and its political and economic institutions.

During field visits, USAID staff spoke with a limited number of direct beneficiaries of community reconstruction activities, human rehabilitation programs, democracy and governance activities, and university assistance activities. These conversations explored needs, progress, long-range objectives, and ways of measuring accomplishments.

With the PVOs, the State University of New York's Center for Legislative Development (CLD/SUNY), the American University of Beirut (AUB) and the Lebanese American University (LAU), USAID has maintained a useful dialogue on how assistance should continue to evolve from open-ended or emergency support to more defined, results-oriented cooperation within specific time frames. Prior to the development of this strategy, USAID had already begun to reduce commitments to certain grantees (like World Rehabilitation Fund and the American & Lebanese Red Cross), and to explore new directions, like microlending and savings for women in poverty through the competitive grants process.

Executive Summary

Rationale - Why aid to Lebanon?

Civil conflict engulfed Lebanon from 1975 until 1991, resulting in destruction of much of the country's infrastructure and economy as well as marginalization of the government and public management systems. The strife caused massive suffering, flight, and impoverishment of the Lebanese people. It is important to the United States that Lebanon rebuild into a stable, responsible, and prosperous partner that shares our goals of peace, democratic society, and market economies. USAID assistance is designed to assure that we contribute to these goals. In December, 1996, the United States hosted the Friends of Lebanon Conference, where the United States and other donors pledged continued and significant support to continue the process of rebuilding Lebanon.

Since the end of the civil war, marked by signing of the Ta'if Agreement in 1991, Lebanon has begun to rebuild itself and living conditions have improved. In 1995, the inflation rate was down to 12% and the Gross Domestic Product grew by 8%. Growth slowed to 4% in 1996, but inflation was down to 4%, and the Government of Lebanon continued to invest heavily in reconstruction. A massive private sector redevelopment program for downtown Beirut is well underway. Loans have been secured from the World Bank and other creditors to fund rehabilitation and upgrading of basic infrastructure and to revitalize industry and trade. Significant numbers of Lebanese expatriates are now returning to the country, and the government appears determined to push through legislation that will help Lebanon regain its position as a leading business and banking center in the Middle East. At the Friends of Lebanon Conference, donors confirmed commitments of over \$2 billion during the period 1996-2000.

In spite of the international commitment to contribute heavily to the rebuilding of Lebanon, many challenges lie ahead. Although the end of the war provided an opportunity for many Lebanese to return to their homes and villages and start rebuilding their lives, this return has been complicated by the reality that thousands of homes, villages and businesses were destroyed or severely damaged during the war. Electricity, water and telecommunications networks were destroyed, directly affecting 1.5 million people and cutting off potable and irrigation water. The abandonment of communities and farms not only affected economic growth, but resulted in severe environmental degradation, urban overcrowding and unemployment.

Although its anticipated funding levels for Lebanon during the strategy period are modest in the context of overall donor commitments, USAID can provide targeted assistance that is critical to addressing develop constraints and will contribute significantly to Lebanon's reconstruction. United States expertise can provide the needed skills to assist Lebanon to reconstruct communities, expand economic opportunities, reform government administration, improve national policies critical to development, and preserve the environment. Valuable lessons have been learned about the reconstruction of rural communities, and structural reform

efforts in areas such as capital market development are already being pursued by Lebanon and supported by USAID. Priorities in Lebanon have shifted from post-war emergency relief to needs that demand a more traditional development strategy.

What is USAID's strategy?

USAID's proposed strategy for the period 1997 to 2002 springs directly from the current economic and political circumstances in Lebanon, and reflects the USG interest in helping the GOL and the Lebanese people to recover from the civil war and participate in the Middle East Peace Process. It emphasizes the importance of rebuilding rural communities, expanded economic opportunity, support for policy reform, and environmental protection. It supports reconstruction and economic opportunity at the community level, but recognizes that targeted investments in Lebanon's public sector contribute to Lebanon's overall recovery. Activities contribute to human resource development, encourage stability, and strengthen the state's capacity to protect political and economic liberties which have been, until recently, ravaged by contending militias.

The proposed activities build upon efforts undertaken by USAID immediately following the war and complement those of other donors, rather than duplicate their efforts. At the same time, the USAID program seeks unique opportunities that are created by gaps in the programs of other donors. United States support for the rebuilding of Lebanon has a significance whose symbolism outweighs funding levels. The USAID program demonstrates the United States' commitment to Lebanese stability and recovery, and to the friendly relations between the two countries which have been maintained for decades.

Program Evolution

Declining resources led USAID, in early 1996, to develop a program strategy for Lebanon that did not attempt to contribute significantly to USAID's global priorities or to achieve major development impact, and foresaw the phasing out of assistance in 1999. The Middle East Peace Process and the world reaction to hostilities against Lebanon in April, 1996, led to a reevaluation of the United States commitment to reconstruction and stability in Lebanon and its importance to peace in the region. On December 16, 1996, President Clinton announced a six-fold increase in ESF levels for FY97. With the request level for FY98 at \$15 million, it is anticipated that funding will remain near this level during the planning period.

Prior to the announcement, USAID began to review the existing strategy and resource requirements. In meetings with the U.S. Embassy and the Department of State, USAID was encouraged to design an expanded program that will be visible and identified with the United States. A preliminary program concept was presented to the U.S. Ambassador during his December visit to Washington. It was determined and agreed that the expanded program would require the presence of a fulltime career USAID Representative. Plans and approval for this are under way. At the same time, the USAID strategy was reviewed and revised.

The new strategy builds upon activities already underway, or draws lessons from others that have been completed. It recognizes that aside from USAID activities, there are few donor activities that address the critical needs of reconstruction and economic opportunity in rural communities devastated by war, depopulation and economic stagnation. It builds upon successful poverty lending and microenterprise activities, in which USAID is preeminent. Assistance to the building of democratic institutions will continue at both the national and local level. Finally, improved national policies are given the weight of a special objective, as is protection of the environment. The strategy contains these objectives:

SO 1: Reconstruction and Expanded Economic Opportunity

USAID will build upon past experience and continue to support a range of community-level reconstruction and rehabilitation activities designed to rehabilitate health care facilities, school facilities, agricultural feeder roads, irrigation and potable water systems, and to enhance Lebanese NGO capacity to manage reconstruction efforts. Such activities have been implemented by eight U.S. private and voluntary organizations and more than 30 Lebanese non-governmental organizations. Present plans call for the selection of a smaller number of rural communities that will be selected utilizing criteria of need, community participation, donor coordination, and matching contributions. Assistance is anticipated to include housing finance and credits to promote economic opportunity. To reinforce the sustainability of these efforts, assistance in civic participation and local governance will be increased, and emphasis will be placed upon environmental impact and practices. Assistance levels to respective communities will be of sufficient magnitude to enable repopulation and economic viability, while demonstrating to the GOL, private sector and other donors the value of such assistance packages. Subject to the availability of funding, the universe of communities in the program will be expanded over the life of the planning period.

Nascent village banking and microenterprise credit programs will be expanded to all geographic regions, and will make special efforts in the targeted communities discussed above. Support will continue for the Center for Research and Development at Lebanese American University (LAU), which is focused on business outreach and expanding economic opportunity.* Anticipated results are:

- ☐ Community living conditions improved;
- ☐ Community economic activity restored;
- ☐ Sustainable village banking and microenterprise programs operating country-wide; and
- ☐ LAU's Center for Research and Development opened and operating with a clear strategy and sustainable cost structure.

SpO 2: Increased Effectiveness of Selected Institutions Which Support Democracy

USAID, along with the World Bank, UNDP and other donors, supports public administration activities aimed at strengthening the capacity of the GOL to recover from years of civil war and introduce modern practices of management. USAID targets its public administration efforts at key GOL agencies and civil servants who formulate public policy and establish the type of quality government operations needed to support a democratic society. USAID will continue to modernize and streamline the analytical, operating, and information systems of Parliament and key agencies, but will also provide assistance to the GOL in the reestablishment of local government, and will provide assistance in the targeted rural communities in local governance and participation. The following results will be achieved:

- ☐ Parliamentary processes improved and modernized to be more effective (responsive) and efficient;
- ☐ GOL information technology policy formulated and expressed in regulations and laws;
- ☐ Control agencies (GAO, CSB, and CIB) more efficient and effective in pursuit of their own missions and broader GOL reforms; and
- ☐ Local governance strengthened at national level and in targeted communities.

SpO 3: Improved Environmental Practices

USAID has supported the establishment of the Environmental Research Center at American University of Beirut (AUB)*, which is contributing significantly to the identification of environmental problems and assisting the GOL and private sector to find solutions. This support will continue. While most donor support for the environment is focused on urban centers and the coastal zone, local environmental NGOs and international organizations have identified significant environmental degradation in rural areas that has resulted from the abandonment of agricultural lands and resulting erosion and loss of ground cover. While AUB will continue to focus primarily on national problems and solutions, it and NGOs working in the targeted communities discussed above, will provide assistance to educate rural communities on environmental protection and implement practices that benefit the environment in the areas surrounding the respective communities. USAID will support the following results:

- ☐ Measurable environmental benefits realized in targeted communities;
- ☐ Improved identification of sources of environmental degradation; and
- ☐ AUB's environmental services improved and expanded.

SpO 4: Improved National Policies

Lebanon has been known for hundreds of years for its open, free market economy, but the civil war resulted in a hiatus in its evolution at a time when most of the rest of the world was rapidly adapting to the global economy and implementing economic and structural reforms across a broad range. Given Lebanon's past history, it presents fertile ground for modest assistance in policy studies which may provide the catalyst for rapid reforms. During the planning period, USAID will provide assistance for studies, invitational travel and targeted training where it is clear that immediate benefit or reform will be realized.

- ☐ [Structural reform?] in government, finance, trade and social sectors; and
- ☐ Improved capacity of GOL officials to implement structural reform?.

*USAID has in the past provided substantial assistance to the American University of Beirut (AUB) and Lebanese American University (LAU) . The American universities are still recovering from the war years. They have and will continue to play a key role in providing technical and managerial leaders for Lebanon's economic recovery. This strategy provides analytical and learning resources needed by universities to enable them to identify key development needs, propose solutions, and train managers and technicians, and to assist in the reconstruction of Lebanon.

LEBANON
COUNTRY PROGRAM STRATEGY
1997-2002

Part I

**Summary Analysis of
Assistance Environment**

Lebanon's Economic, Social and Political Development: 1970-1996

Today's Lebanon corresponds approximately to what was Phoenicia in ancient times, the birthplace of the alphabet, a world center for trading and seafaring, and one of the cradles of democracy. In recent history, Lebanon was the most developed country in the Middle East. Prior to 1975, it was common to describe Lebanon as "the Switzerland of the Middle East." Lebanon had earned this comparison because it was a small country with a strategic geographic location, beautiful mountainous topography, a pleasant climate, a well-developed banking and financial services sector, and a booming tourist industry. Many people from other Arab nations came to visit for vacation and business. Beirut also served as a principal point of trans-shipment of goods to and from Syria, Jordan, Iraq and other countries in the Middle East.

The Republic of Lebanon was founded in 1943, at the end of the French mandate. The country was governed by a political system called Confessionalism where all the major religious sects (Christians, Druze, Sunni and Shia) shared in the country's rule. This political structure, as conceived by the French, favored the demographically dominant Christian community. The Christian hold on the government continued even after the Muslims, particularly the Shias, became the largest segment of the population. Rather than change the political system to reflect the Muslims' population increase, the government stopped taking censuses in 1932. The political dominance of the Christians was not contested, largely because of the economic development that the country experienced.

Over the period 1960-70, Lebanon's economy grew at an average annual rate of five percent. Economic growth increased to nine percent per year over the period 1970-76 and the country attained upper-middle-income-economy status in the mid-70's. The main source of Lebanon's growth was the services sector, particularly in the areas of banking, tourism, port services and insurance. Western businesses made headquarters in Lebanon and did their banking in the country. The Gulf monarchs also utilized the banking services of Lebanon. Many people

from other Arab nations came to visit for vacation and business. The country served an intermediary function between the developed countries of the West and the developing countries of the Middle East. Lebanon was considered the most developed and richest country in the region, with a dynamic economy, characterized by low inflation, stable macroeconomic conditions, and functioning free market systems. However, there were seeds of unrest.

In the 1960s, several leftists groups had tried to start an uprising against the ruling Christian elite, but the thriving economy prevented them from gaining any substantial support. Nevertheless, growing economic inequality became worse. In 1970, the richest 20 percent of households accounted for 55 percent of the country's total income, while the poorest 20 percent of household accounted for only 4 percent. The Christian and Sunni communities were thriving, economically, while the Shia and Druze communities fell behind. This problem was further complicated by the influx of Palestinians from Jordan in the early 1970's, and the virtual autonomy of their militant organizations within Lebanon. In 1975, fighting broke out between the Palestinians and Christians in Beirut and spread nationwide. It was the beginning of a full-scale civil war that lasted sixteen-years, disrupted Lebanon's development, caused untold human suffering, and resulted in a drastic decline in the quality of life. The signing of the Ta'if Accord for National Reconciliation, in 1989, served as the basis for the end of the civil war, in 1990.

During the civil war, approximately 200,000 people were killed, and nearly 600,000 Lebanese, mostly professionals, emigrated overseas. A million civilians were displaced internally, and in Beirut as well as other cities and towns, there was massive destruction of infrastructure and property. The United Nations estimated the damage to physical assets at \$25 billion.

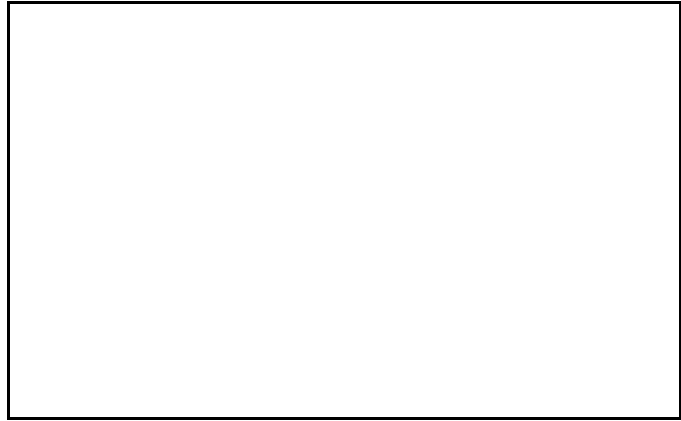
During this period, investment ground to a halt and many existing business establishments closed. Capital investment flows were reduced and the banking system was weakened significantly. The absence of central government authority and the inability to collect revenues led to the deterioration of public

LEBANON - BASIC DATA

Area	10.452 sq. km
Population (est. 1994)	3.93 M
Adult Literacy (1995)	92 %
Life expectancy (1994)	69
Unemployment Rate (1994)	35 %
GDP/Capita (1992)	\$2,500
Inflation Rate (1996)	4 %
GDP growth rate (1996)	4 %

Note: All data estimated by UNDP and others due to lack of current census and non-functioning statistical service in govt.

finances and increased fiscal deficits. High inflation rates and lack of confidence in the Lebanese pound contributed to currency substitution or dollarization of the economy. Real per capita GDP declined by 67 percent from 1974 to 1990. Social services and public utilities deteriorated significantly by the end of the civil war. Rural to urban migration increased, with 84 percent of the population residing in urban areas in 1990 compared to 59 percent in 1970. This intensified urban-related problems such as poverty, overcrowding, and inadequate housing, while rural communities suffered depopulation and economic decline. These shifts also resulted in severe impacts upon fragile ecosystems.



Recent Economic Performance of Lebanon

Economic Developments 1990-91: Favorable developments occurred after the signing of the Ta'if accord that led to the end of the civil war. In 1991, real GDP increased by about 38 percent, with rapid growth in the manufacturing and construction sectors. Inflation declined from a rate of 84 percent in 1990 to 31 percent in 1991. The economic recovery resulted in a rapid increase in imports from \$2.4 billion in 1990 to \$3.7 billion in 1991. As a result, the trade deficit widened. Improved fiscal performance was accomplished as government revenues increased with better tax collection. Government revenue was 12.6 percent of GDP in 1991 compared to 6.4 percent in 1990. At the same time, government expenditures as a share of GDP decreased by about 10 percent. The government also adopted, in 1991, an exchange rate stabilization policy to attain rapid price stabilization. The key component of the stabilization policy was the pegging of the exchange rate, on a gradually appreciating path, to the U.S. dollar. This policy led to a switch from monetary to treasury bill financing of the fiscal deficit. The amount of outstanding treasury bills climbed by 128 percent from 1990 to 1991.

Economic Crisis of 1992: Despite the promising economic results in 1991, the fiscal deficit problems of Lebanon and the 150-200 percent retroactive increase in public wages, in 1992, resulted in the decline of public confidence in the ability of the government to sustain its macroeconomic stabilization policies. This was coupled with renewed disturbances in Southern Lebanon. The loss of confidence resulted in a rapid decline in outstanding treasury bills which led to monetary expansion to finance the fiscal deficit. This in turn led to the destabilization of the Lebanese pound and the government's abandonment of its stabilization policies. As a result, the Lebanese pound rapidly depreciated, and inflation increased to 131

percent in 1992. Real GDP growth slowed from 38 percent, in 1991, to 4.5 percent in 1992. The economic crisis would have been worse, but successful parliamentary elections and the appointment of the new government, in the last quarter of 1992, restored confidence in the ability of the government to manage the economy. The events demonstrated the vulnerability of Lebanon's economy to changes in expectations.

Economic Developments 1993-94: Increases in the Gross Domestic Product, of 7 percent (compared to a target of 5 percent) in 1993 and 8 percent in 1994, spurred many multinational and international investors to tender for Lebanese government projects and investments. A three-fold increase in foreign currency reserves at the Central Bank since 1992, and a 60 percent increase in private investments over 2 years were reported. The Balance of Payments surplus for 1994 was reported at \$1.1 billion. Inflation was reduced from more than 131 percent, in 1992, to 29 percent in 1993 and to 12 percent at the end of 1994, with an appreciation of the Lebanese pound during the same period. The fiscal deficit which decreased from about 12 percent of GDP in 1992 to 8 percent in 1993, increased to about 21 percent of GDP in 1994. The fiscal deficit in 1994 was larger than expected as the government faced increasing reconstruction and social services expenditures that put added pressure on its fiscal deficit problems. Thus the government's major task was to correct the fiscal imbalance by controlling expenditures and increasing revenues. The government also faced the challenge of inducing private investment to generate some of the much needed resources.



Developments in 1995-96: GDP growth in 1995 declined to 6.5%. Preliminary figures for 1996 indicate that the economy grew at only 4%. This growth is lower than the target for the year, but the prospects for healthier growth rates are good. Despite favorable economic developments, large budget deficits, increasing domestic and foreign debt, and continued pressure on the Lebanese pound remain as the major constraints to economic growth. External public debt increased from 8% of GDP in 1994 to 11 percent of GDP in 1995. The

IMF estimates that the overall budget deficit (excluding grants) decreased from 20.5% of GDP in 1994 to 18.4% of GDP in 1995. The 1995 deficit to expenditures ratio was 52% compared to the 44 percent target for the year, and was almost the same in 1996. The Lebanese 1996 budget, however, reflected the government's plan to seriously cut spending, to lower and control the fiscal deficit. Inflation through the third quarter of 1996 was running at slightly over 4%

Lebanon's Development Prospects

Plagued by civil war for nearly two decades, Lebanon is finally entering a period of relative peace, in which the government and the private sector can take an active role in reestablishing a functional society. More than 200,000 highly educated and technologically sophisticated Lebanese expatriates have returned to the country since the end of the war, bringing with them advanced skills in the scientific, technical, financial, and entrepreneurial areas. Recent reports are upbeat about the potential for rebuilding Lebanon into an upper-middle-income country which plays a significant role in the Middle East region. Initially, donors focused on emergency humanitarian relief and rehabilitation. However, since initial assistance efforts have successfully stabilized the country, the government and donors have begun to solidify a more development-oriented strategic framework for Lebanon. The government's priorities to date have been in restoring and expanding basic infrastructure, primarily power, communications, roads, water, and sewerage. The donor emphasis on meeting these needs was reflected at the recent Friends of Lebanon Conference, with some \$2 billion committed. At the same time, the private sector has invested heavily, the most notable investment being the Solidere project to rebuild the center of Beirut. Still, most donor and private sector efforts are concentrated in urban areas, and many Lebanese have yet to benefit from an improving economy.

Economic Growth Prospects

In order to sustain healthy annual GDP growth rates, high levels of both public and private investment will be needed. The government is confronted with creating and sustaining political and macroeconomic stability while establishing an enabling environment conducive to domestic and foreign private investment. Political stability is currently being maintained (successful parliamentary elections were held in 1996), but is still fragile, and in the long-run will depend largely on the outcome of the Middle East Peace Process. The main challenge in attaining macroeconomic stability is resolving the fiscal imbalance without impinging on vital reconstruction and social expenditures. For the latter, the private sector could play an important role, since these expenditures will require substantial mobilization of savings and their efficient allocation. Areas to explore include revitalization of the banking system, privatization of public utilities and services, and capital market development, to name a few. The establishment of a legal and regulatory framework conducive to the development of the private sector will be essential, and Lebanon needs to fully reintegrate into the global economy by conforming to GATT and joining the World Trade Organization.

The economic success of Lebanon prior to the civil war and its human capital resources are important elements for Lebanon as it faces these economic challenges, but the income distribution problem that also existed prior to the civil war, and still does, is an important economic and social issue to consider in the country's development prospects.

Population and Health Prospects

Health and population statistics are relatively sparse. However, available figures indicate some improvements from the 1970s to the 1990s. Life expectancy at birth in 1993 is 69 years compared to 64 years in 1970. Total fertility rate was five births per woman in 1970 and is now three. Infant

RELIGIOUS GROUPS	SEATS IN PARLIAMENT
Maronite Christians	36
Sunni Muslims	27
Shia Muslims	27
Greek Orthodox Christians	13
Druze	8
Greek-Melkite Catholics	7
Armenian Orthodox	5
Armenian Catholic	1
Alawite Muslim	2
Protestant Christians	1
Others	1
TOTAL	128
Elias Harawi. President (Maronite).	
Rafiq Hariri. Prime Minister (Sunni).	
Nabih Berri. Speaker of Parliament and leader of Amal Militia (Shia).	
Walid Jumblatt. Minister for Displaced Persons and Druze Leader.	

mortality rate per thousand live births was 50 in 1970 and 34 in 1992. The population per physician ratio was reported to be 1299 in 1970 compared to 741 in 1991.

Environment Prospects

To respond to some of Lebanon's environmental problems, Lebanon's Horizon 2000 plan includes allocations for wastewater treatment (\$500 million); solid waste treatment (\$400 million); reforestation and soil conservation (\$90 million); regulation of the storage of petroleum products (\$30 million); establishment of industrial zones and strengthening the Industry Institute (\$250 million); and combined-cycle power plants using natural gas (\$750 million). Environmentalists state, however, that Lebanon has not adequately coordinated or launched its environmental platform and that prospects for donor intervention are not well defined. The World Bank is currently financing an assessment of the environmental issues facing Lebanon. The findings are expected to serve as the basis to elaborate a national strategy. There is much to be done. Prior to the civil war, Lebanon's healthy agriculture sector, much of which was on terraced hillsides, did much to preserve a fragile ecosystem. Migration to urban areas, during the war, resulted in urban overcrowding and pollution, while untended farms caused erosion and loss of water resources. Destruction of habitat through deforestation and forest fires has been widespread.

Democracy, Governance and Civil Society Prospects

During the civil war, Syrian military forces occupied large portions of Lebanon, and the Syrian government involved itself with government rule. Syria still maintains military forces in the country and has considerable influence in the existing government of Lebanon. Several of the leftist and fundamentalist groups in Lebanon were reportedly enticed by President Assad to relocate their headquarters to Damascus, giving the Syrian President significant influence upon their actions and decisions. Hizbollah is included in this group. Revolutionary guards arrived in Lebanon in 1982 and founded Hizbollah (translated: Children of God) among the Shia community. Hizbollah is powerful, and both militarily and politically active. Through its military presence, political influence, and relationship with Hizbollah, Syria continues to play an important role in the political and democratic prospects of Lebanon. Israel continues to occupy southern Lebanon, where it is locked in sporadic combat with Hizbollah that periodically flares into wider conflict, as occurred with the Grapes of Wrath operation, in 1996. The dynamics of this situation make Lebanon and Syria two of the most important players in the achievement of peace in the Middle East. Attainment of sustainable political stability in Lebanon will largely be influenced by Syria, Israel and an overall Middle East peace agreement.

Lebanon has had a parliamentary system of government with an elected president since the 1920s. As a result of the Ta'if accords, presidential power was reduced. The country is governed essentially by a troika of the President (Maronite Christian), the Prime Minister (Sunni) and his cabinet, and the Speaker of the Parliament (Shia).

Behind the institutional veneer of a democratic system is the operating reality of centralization, segregation along religious lines (confessionalism), and a political elite that often mixes personal gain with government position. The Syrian presence plays an active role in Lebanese politics, and in resolving conflicts among the troika. The municipal system of Lebanon has been dormant since the 1960s, with aged mayors still in place in some communities, since that time. Municipal elections are postponed each year due to concerns about reopening confessional conflict. Politicians represent their religious or ethnic group, or a region dominated by the group, rather than being primarily responsive to a political party with an ideological or program platform. Although there is a formal civil service system, on the French model, many government positions are awarded due to loyalty to a confessional leader appointed or elected to high office.

The Parliament, with 128 members organized proportionally to represent confessional groups, has a committee system in which the chairs are chosen for their personal expertise in the matters under their purview. Staff is limited, and until recently, technology was primitive. The Parliament does act as a counterweight to the Prime Minister and Cabinet, and its leaders are attempting to modernize its operations as well as the jumbled legal code of the country.

Civil society in Lebanon is strong, with active labor unions and business organizations. There are hundreds of non-governmental organizations (NGOs), offering social services. These are

largely (but not exclusively) organized along denominational or confessional lines. The press is free and can almost be described as voracious, with numerous newspapers, TV stations and radio stations reporting, speculating and investigating on all events, large and small.

A persistent social factor is that building a sustainable development process in Lebanon is constrained by war-induced lingering anger, revenge, violence and mistrust among groups who formerly coexisted in many areas. The Ta'if accords did not eradicate psychological barriers and suspicion. To some extent, they simply papered over them. Genuine peace and development can only be built if there are new skills that can be applied to foster tolerance, cooperation, and shared problem-solving based on common interests, as opposed to confessional loyalties.

Not surprisingly, the war also brought about grave deterioration of public administration. The division of the capital split key ministries and agencies; many top managers and administrators left their jobs, left the country, or were killed. The violence of the war damaged or destroyed many government buildings and allowed the theft of much valuable equipment. The ability of the central control agencies like the Central Inspections Board (CIB), the Civil Service Board (CSB) and the Government Accounting Office (GAO) to function declined sharply. The government went into a 20-year isolation from needed changes in public administration, such as automation, new ways of developing and rewarding public servants, and the changing roles of central government agencies. The rolls of the civil service were swelled with contract and day workers hired and deployed outside the civil service system. Thus the need in government is not only to restore basic functions, but to introduce major reforms so that the GOL can make its contribution to the national recovery effort.

Gender Equity Prospects

Rural women in Lebanon share the same day-to-day burdens as men, but women suffer from another obstacle to their development: socio-cultural isolation. Rural women, especially Muslims, are often not expected to make key decisions at home. They are not encouraged to acquire skills that have the potential of increasing household incomes (especially if they require employment outside the home) and do not have access to credit needed to support productive enterprise. They are often not expected to study beyond basic elementary education. Until a few years ago, few girls from rural areas went to school. Girls often marry when they are adolescents or teenagers, and go on to bear an average of seven children during their child-bearing lives. With its small land area, Lebanon can no longer sustain large families and an annual growth rate of more than 3% in its rural population. Rural women must be allowed to develop along with more urbanized women. These problems are recognized by the GOL and by many political and intellectual leaders, and there is increased awareness that to maintain economic and political stability, socio-economic recovery must be shared by all segments of society.

Pressing Problems and Constraints

In spite of its recent positive economic performance, Lebanon faces enormous challenges to the reestablishment of its economy and society. Infrastructure must be rebuilt from top to bottom in many corners of the country. The war catalyzed an unequal development of different economic sectors, excessive urban concentration and polarization around Beirut, and destroyed regional structures. This imbalance must be redressed in order to guarantee more equitable growth. Unemployment and resultant social tensions and social ills are at a critical level. Economic recovery has been uneven, and there are wide differences in living standards, as well as gross income disparities among the population.

Weak public administration is a critical constraint, given the pivotal role that government must play in the rebuilding of Lebanon. At the same time, twenty years of isolation have left the country and the government far behind the curve in policy reforms necessary to compete in the global economy that has developed during the same period. This is particularly critical for a small country whose historical economic success was based upon trade and financial services.

U.S.-based universities have emerged from the war years to face needs for restoration of plant, equipment, and faculty, and lack a clear sense of how they fit into today's Lebanon and Middle East region. Yet, if Lebanon is to regain its pre-war position in the Middle East, it must depend upon the universities to provide professionals highly qualified in the regimens demanded by competition.

The environment and the degradation of land, water, air, coastal and natural resources are of major concern in Lebanon, and may have regional implications that are as yet undiscovered. Given Lebanon's small land area and the fragility of this resource, environmental concerns cannot be subordinated to the imperative for rapid reconstruction.

Lebanon's Development Framework

Lebanon's National Recovery Plan, Horizon 2000, provides the framework for rehabilitation and redevelopment in Lebanon. It is a two-fold economic restructuring plan that combines a macroeconomic financial recovery program with a rehabilitation plan aimed at securing \$18 billion in public investment between 1995 and 2007, and envisions an average annual growth rate of 8 percent. This strategy is based upon the premise that the private sector will take a lead role in stimulating economic activity, while the public sector will rehabilitate basic infrastructure. Horizon 2000 has three major objectives: (1) comprehensive reestablishment of basic infrastructure, including social infrastructure; (2) balanced regional distribution of public investment; and (3) promotion of private sector development through incentives to savings. Within these three areas are a variety of activities which are under way, with

support from domestic and international entities. These are shown in the in the following table.

Lebanon's National Recovery Plan (Horizon 2000) and Sources of Support

Activity	Sources of Support			
	Lebanese Pvt Sector	Govt. of Lebanon	Other Donors	USAID
Rehabilitate Public Sector		X	X	X
Reconstruct infrastructure	X	X	X	X
Housing for displaced	X	X	X	X
Support services for relocated families	NGOs	X	X	X
Fiscal reform - increased revenues		X	X	
Stable tax base		X	X	
Retrain the labor force	X	X	X	Civil Servants
Rebuild Beirut	X	X	X	
Term finance for productive enterprise	X			Microent.
Solve environmental degradation	Univs.	X	X	X
Reform economic policies		X	X	X
Control drug trade		X	X	
Improve education/social services	NGOs	X	X	X
Revitalize agriculture	X	X	X	X
Revitalize industry	X	X	X	

Donor Programs

At the Friends of Lebanon Conference, the GOL distributed documents indicating commitments of external funding to that date were \$3.9 billion. Of this amount, approximately 70% was for basic infrastructure. Europe accounts for \$1.2 billion, regional donors for \$1 billion, the private sector for \$1 billion, and the IBRD for \$0.5 billion. At the

conference, donors revealed plans for assistance of over \$2 billion from 1996-2000, although a large part of this included funds previously pledged or committed. The IBRD indicated that it planned to spend approximately \$150 million per year in Lebanon during that period and provide another \$150 million in guarantees. PVO grantees also mobilize and match funds with European NGOs. A number of donors provided humanitarian assistance to bolster the Lebanese during the years of conflict. More recently, donors have channeled funds to the more developmentally oriented plans of the Lebanese government to rehabilitate and redevelop the country.

The World Bank assisted in the preparation of the Emergency Reconstruction and Rehabilitation Program (NERP). NERP is designed to restore infrastructure services, improve private sector confidence, and create an environment in which institutional and financial reform is feasible. The Bank will also assist the government to create a business climate that is favorable to private sector investment.

The World Bank's portfolio includes a number of loan-funded projects in revenue enhancement, environment (especially pollution reduction and coastal zone management), administrative reform, health, and agricultural infrastructure. USAID closely tracks what the Bank is doing with the GOL, and has complementary activities in administrative reform, while leaving to the Bank the more capital-intensive needs, such as power, transport and telecommunications. The United Nations Development Program (UNDP) portfolio closely tracks with that of the Bank, and includes some antipoverty efforts, such as the drug eradication and crop replacement effort in the Baalbek-Hermel area. The International Fund for Agricultural Development (IFAD) is involved with irrigation efforts, but not the village-level projects that USAID-funded PVOs are restoring and extending. The World Bank is also considering a community development fund that may eventually support many of the kinds of community-level reconstruction activities the USAID-funded PVOs have pioneered. The startup timing of the Community Development Fund (CDF) and agricultural infrastructure efforts is uncertain, but may not be for 2 or more years (?)

The World Bank has made a \$35.7 million loan for the Health Sector Rehabilitation project to strengthen the capability of the Ministry of Health. It will rehabilitate health facilities such as hospitals and primary health care centers. The project will also improve the availability of basic health services to under-served segments of the population.

The Government of Lebanon has adopted a comprehensive stabilization program with technical assistance from both the World Bank and the IMF. The IMF has been providing the government with policy analysis and advice, primarily in the fiscal and monetary areas, since 1992, and the International Finance Corporation (IFC) has announced a plan to provide five of Lebanon's leading banks with a \$454 million long-term credit line for lending to small businesses. The UNDP is providing assistance to the Ministry of Finance to improve tax administration and to the Ministry of State to enhance administrative reform.

An assessment of the environment in Lebanon is currently being undertaken with World Bank support. It is anticipated that this assessment will serve as the basis to elaborate a national strategy. At a January, 1995 meeting of the donor coordination committee, members discussed several options for working in the environment, although individual donors have not yet pledged resources. These included legislation for environment protection; reforestation; natural resources monitoring and control; environment and tourism development; role and capacity of the Ministry of Environment; environmental impact assessments; popular participation in environmental activities; environmental information; and education. The effective role of NGOs at the national and local levels was also strongly emphasized, as was the need for supporting action towards environmental awareness.

LEBANON
COUNTRY PROGRAM STRATEGY
1997-2002

Part II

**Proposed Strategy, Rationale,
and Key Assumption**

Introduction

USAID's Program in Lebanon

Background: The USAID assistance program to Lebanon is in a period of transition occasioned by improvements in the stability of the Lebanese Government, the overall security situation within the country, and changing developmental needs that have resulted from these positive trends. In recent years, the USAID program has been characterized by modest levels of funding with an emphasis on relief and reconstruction activities, strengthening of government institutions, and support for the U.S. affiliated universities in Beirut. The program was shaped by the expectation that funding levels would continue to decline, and that assistance would phase out by the end of 1999. It is now anticipated that the economic assistance level to Lebanon will increase in FY97 to \$12 million. The request level for FY98 is expected to be in the range of \$12-15 million.

An internal review of the current program concluded that development priorities have shifted to meet the need for increased emphasis on expansion of economic opportunities. In November, 1996, USAID hosted a meeting of the NGO partners with whom USAID has worked in Lebanon, for the purpose of sharing their ideas about the development priorities and improving performance monitoring of the program. Two themes emerged from the meeting: the perception that rural community development is being largely ignored in the reconstruction of Lebanon; and the need for more focused assistance in rural communities that emphasizes the renewal of economic activity.

At present, there is no U.S. Direct Hire presence in Lebanon, and the program is managed from AID/W with the assistance of two FSN professionals in Beirut. Funding of \$12 million in FY97 represents a six-fold increase over FY96, and approximately 50% more than the average of FY94 and FY95. As the U.S. assistance program becomes larger, more visible, and more complex, including elements of policy reform and dialogue, there will have to be direct USAID staff involvement, in addition to acting through NGOs and contractors. This is particularly necessary if funding levels are sustained for several years.

The Current Program: The current program falls into three major areas:

- Rural Community Development;
- Legislative/Agency Institution Building; and
- Support to the U.S. Universities.

Rural Community Development: The program has established a good record of working with rural villages that are considered either displaced or economically depressed. Although activities have been carried out by a number of NGOs, most have been engaged in reconstruction of infrastructure (irrigation systems, potable water, drainage, agricultural feeder roads, etc.), housing reconstruction, and vocational training. Two NGOs have nascent poverty

lending programs, but there has been no specific linkage between the reconstruction and credit activities. From discussions with the NGOs, as well as their implementation reports, it is clear that rural communities are in critical need of focused assistance that includes:

- reconstruction of community infrastructure;
- provision for housing finance;
- credit (small and microenterprise);
- skills training;
- training in civic participation and local governance;
- social infrastructure such as clinics/school rooms; and
- assistance in environmental practices.

The major components for restoring communities to viability are the restoration of a basic level of infrastructure and housing--necessary to allow inhabitants to return--and the creation of economic opportunity--necessary to enable them to stay once they return. The Ministry of the Displaced has profiles of 150 villages that are officially recognized as depopulated by the war, but there are hundreds more that have also suffered from migration and economic stagnation. It is estimated that 51% of previously productive land is now fallow. This, combined with the destruction or deterioration of water containment systems, severely impacts upon the environment as well as the economic viability of the respective communities.

Institution Strengthening: This activity, which is carried out by State University of New York (SUNY), concentrates on the improvement of legislative information support systems and the strengthening of key agencies of the central government. However, SUNY has stressed the need for rural community reconstruction and, in particular, the reestablishment of municipal governments that have been dormant since the 1960's. Assistance should include support for new legislation for decentralization or municipal autonomy, information systems for the central government, and democracy/governance training at the local level.

Support to Universities: Grants to the American University of Beirut (AUB) and Lebanon American University (LAU) encourage the universities to address broader development needs in Lebanon. The AUB assistance funds an environmental research center, while the LAU grant provides for the creation of a research and development center and study of women in the work place. There is strong support in Congress, the American Task Force on Lebanon, and by the Prime Minister for continued support to the Universities. The Universities can and will continue to contribute to the achievement of program priorities.

USAID focused on these areas as a means to aid individuals to rebuild their lives and their communities; to assist in the reconstruction of infrastructure and public institutions; to strengthen the capacity of the government to effectively manage its resources; and to help build Lebanon's technical and managerial work force through restoring the quality of education in U.S. educational institutions that operate in Lebanon.

In May, 1996, this program was captured in a new strategy and results framework that contained four special objectives and projected the phasing down of assistance. The preparation of a performance monitoring plan (PMP) was deferred until "ground-truthing" could be completed. In the meantime, and before substantive efforts could be made to implement the new strategy, the decision was made to dramatically increase funding for Lebanon, beginning in FY97, and discussions began on a more comprehensive program strategy and the reestablishment of the USAID Representative position, to supervise the expanded program. Although program activities continued during this period, the 1996 strategy was never implemented. The 1997-2002 program strategy that follows was developed following extensive consultations with our partners, the U.S. Embassy in Lebanon, State/NEA, and relevant USAID Offices.

Strategic Objective 1: ***Reconstruction and Expanded Economic Opportunity***

USAID-supported community reconstruction/rehabilitation in Lebanon has changed. USAID currently supports four U.S. private voluntary organizations (USPVOs) and more than 30 Lebanese non-governmental organizations (NGOs). Three years ago, USAID closed out pure humanitarian relief such as food and other relief supplies. The PVOs that receive support are now getting out of grants for housing, and will rely more on support to Lebanese banking/agency programs to provide housing finance. USAID support of physical rehabilitation and services to the disabled, orphans, and other human victims of war phased out in 1996, but may continue to provide some assistance through the Displaced Children and Orphans Fund. Although infrastructure rebuilding, such as, schools, clinics and community buildings, continues, there is increasing emphasis on support for economic activities (restoring/expanding village irrigation systems, feeder roads, rebuilding terraces and other land reclamation, microlending, and providing agricultural skills training). The PVOs are building or training community organizations to build, operate and maintain economic infrastructure, deal with central government agencies, and provide the foundation for restored local government.

The next stage of evolution will involve a sharper focus on economic development, and more emphasis on strengthening the means of attaining sustainability of all programs, e.g. institution-building and civil society, including more participation of women, problem-solving and conflict management skills, as well as project planning and management processes that use those skills.

The restoration of agriculture and derived enterprises in the rural areas requires new technology, credit, and reliable infrastructure (roads, water, power). Marketing and planning decisions need to be more sophisticated to compete for both domestic and foreign markets with farmers in Syria and Jordan. The PVOs who submitted credit activities in their

proposals in 1995 provided a number of models, from microlending aimed at women to more ambitious credit schemes for farmers and other businesses. There is a need and an opportunity for creative credit activities, but the models and linkages to the financial system need further discussion on the ground, bringing together USAID experts with the PVOs and the Lebanese financial community.

To have sustainable community development, PVOs' roles must change. PVOs have played crucial roles in assessing community needs, planning projects and mobilizing local resources (often as much as \$3 in local funds for each USAID dollar), and brokering with the GOL for technical assistance, permits, approvals, and materials. They have also trained community leaders in a variety of skills, and provided hands-on engineering services. Sustainability requires that they take a step back, and focus their energies on transferring these skills to local leaders.

The PVOs have found in many areas that building sustainable communities is hampered by war-induced lingering anger, revenge, violence and mistrust among groups who formerly coexisted in many rural areas. The Ta'if accords did not eradicate psychological barriers and suspicion. Genuine peace can only be built if there are new skills that can be applied to foster tolerance, cooperation, and shared problem-solving based on interests, not confessional loyalties. Such skills include mediation, negotiation, effective communication, facilitation, joint problem-solving, team-building, conflict analysis and interest-based collaboration.

The need for village development continues, and the GOL is only slowly mounting programs to reach out to these areas. In some cases, such as agriculture, the GOL is looking to NGOs to extend its reach.

USAID will refocus its assistance effort on the reconstruction and expansion of economic opportunities in targeted clusters of rural communities, with the caveat that poverty lending and micro-finance activities will be country-wide. Clusters of rural communities will be targeted for assistance on the basis of need and potential, using available surveys and assessments performed by the GOL and implementing NGOs. Part of the assessment will include the willingness of the communities to participate in and contribute to their own reconstruction. Matching grants will be made for community infrastructure activities, such as irrigation systems, water storage, feeder roads, clinics, schools, bridges, etc. At the same time, assistance will be provided in civic participation and local governance. Current assistance in poverty lending will be expanded, with special efforts made to target assistance to communities receiving reconstruction assistance and training in civic participation. Established credit programs may be expanded to offer windows for larger credits to groups and individuals, and assistance will be provided to the GOL to design programs for small enterprise lending funded by its own resources and implemented through the private banking system. Finally, to help solve the problem of destroyed housing in rural communities that

experienced heavy fighting during the war, USAID will explore assisting housing finance through existing private financial institutions..

This portion of the program will be highly visible, cross-confessional, and concentrated in an area of need, rural community development, that is not being adequately addressed by other donors. It will help to repopulate and restore economic viability to selected communities, thereby relieving migration pressures on Beirut and other coastal cities. It will also begin the process of reintegrating formerly productive agricultural lands into the national economy. This will positively impact on the environment, as much environmental degradation is being caused by the negative effects of loss of farm lands. These investments, it is hoped, will provide a demonstration to the Government of Lebanon, private sector and other donors, perhaps resulting in additional resources being provided to communities not covered by the USAID program. The number of rural communities selected will be sufficiently restricted to permit substantive, visible improvement.

USAID will also continue to fund a small grants program to indigenous NGOs. Titled the Small Value Procurement (SVP) activity, this program is the Mission's mechanism for rapid implementation of small-scale rehabilitation activities. The objective of this program is to help affected institutions restore what they lost during the years of civil strife and to enable them to meet the increasing demands of those who depend upon them. Since 1990, grants provided to some 100 health and welfare institutions have totalled \$1.8 million.

The need for expanded economic opportunity extends beyond the targeted rural communities. Lebanese American University (LAU) is currently developing a business plan for a research and development center that will reach out to and serve the business community. One element of this plan is a business incubator that is designed to support new ventures. Additionally, the center will mobilize the resources of the university to provide technical expertise to the business community. LAU will be encouraged to ensure that this program reaches beyond Beirut and promotes economic opportunity in regions that have traditionally been neglected.

Assumptions

- ☐ Models for community reconstruction are being demonstrated by US-assisted PVOs, and can be replicated without open-ended USAID support.
- ☐ Lebanon's people and government value the rehabilitation and repopulation of rural communities and will take increasing responsibility (including funds and human resources) for guiding and enabling this process on a sustained basis.

Performance Measures

SO Indicator 1.1 Number of targeted communities revitalized¹

SO Indicator 1.2 Number of informal sector loans delivered

Intermediate Result 1.1 Selected rural communities revitalized¹

Indicator 1.1.1 Number of families resettled in target communities

Indicator 1.1.2 Incremental number of hectares irrigated/cultivated with USAID assistance

Indicator 1.1.3 Number of families with improved potable water supply

Intermediate Result 1.2 Small and microenterprise enhanced

Indicator 1.2.1 Number of clients served

Indicator 1.2.2 Loan repayment rate

Indicator 1.2.3 Lender profitability ratio

Intermediate Result 1.3 Business/university linkages established

Indicator 1.3.1 Number of firms in LAU business incubator

Indicator 1.3.2 Gross sales of firms in business incubator

¹These will be clusters of communities marked by war or poverty; where the communities are willing to organize and mobilize resources; and GOL or donor resources may be tapped. Revitalization includes resettlement or reduced migration; restored/repaired housing; increased economic activity; access to basic social services/facilities; and civic participation (including women) in planning and managing community affairs.

Special Objective 2:

Increased Effectiveness of Selected Institutions which Support Democracy

Rehabilitation of public administration is an essential element in restoring a fully functioning and effective government that can contribute more effectively to Lebanese recovery. An

improved public service is considered critical to strengthening the confidence of the Lebanese private sector in the credibility of the Government. USAID considers an investment in Lebanon's governance to be a key contribution to Lebanon's overall recovery. This component of USAID's strategy currently funds the Government Institutions Strengthening component of the Lebanon Relief and Redevelopment Project through the Center for Legislative Development at the State University of New York at Albany (CLD/SUNY/A). This five-year project installs information systems and provides training for staff at the Parliament and the four control agencies of the government. USAID recently approved Phase II, extending the component to 1998, focusing it less on technology, and more on institutional and policy changes, working in close coordination with the Minister for Administrative Reform. As these changes occur, USAID will consider targeted training of key public sector managers to complement the technical assistance and capital inputs of other donors such as the World Bank, UNDP and the European donors.

It appears that municipal elections may be held in early 1997, the first since 1964. The return to a less centralized government and the devolution of power to local governments will challenge the central government and present new challenges to communities. USAID will provide assistance to ease the transition and equip central government with the tools to interact with local government. At the same time, the above-mentioned targeted rural communities will receive assistance in local governance that should enhance the economic growth assistance under SO1.

Assumptions

- ☐ Focused inputs of technology and varied learning activities will help to liberalize selected Lebanese political institutions, resulting in policies, laws, and government oversight that are more responsive and accountable to public concerns, and employ modern concepts of public administration and policy analysis.
- ☐ The administrative reform thrust of the present government will continue under the new Government, propelled by press and other civil society pressures.
- ☐ Municipal elections are held in 1997.

Performance Measures

- SpO Indicator 2.1* *Percent of Parliament's focus committee's recommendations approved in GOL budget*
- SpO Indicator 2.2* *Progress on GOL-wide budget system resulting from Information Technology Policy Report*
- SpO Indicator 2.3* *Percent of CSB operations conducted electronically*
- SpO Indicator 2.4* *Percent of CIB inspections that become cases*
- SpO Indicator 2.5* *Percent of GAO cases in which decisions rendered*

Special Objective 3: *Improved Environmental Practices*

Sixteen years of civil war brought about profound demographic changes in Lebanon that have had severe impact upon its diverse but fragile environment. Migration to the coastal cities resulted in overcrowding that taxed infrastructure already damaged or destroyed by the conflict. Pollution of coastal waters is a serious concern, as is local air pollution from industry and automobiles. Lebanon is one of the few countries in the Middle East blessed with adequate rainfall in a large part of its area, but abandonment of productive land, erosion and deforestation result in loss of habitat and the capacity of the land to hold runoff. This is particularly evident in those areas that rely on terraced hillside farming. It is estimated that as much as 1,000 hectares of productive land are being lost each year. Endemic flora and fauna are under severe pressure from over-harvesting and hunting.

Fortunately, Lebanese NGOs and the GOL are aware of the problem and are being assisted by donors to address the most pressing problems, such as supply of potable water, wastewater treatment and coastal pollution. USAID has been the major supporter of an environmental research center at the American University of Beirut (AUB). This center, with its research laboratory and testing facilities, has the capacity to provide environmental testing to the GOL and the private sector. At the same time, it contributes to the higher education of professionals in the environmental field and raises awareness of Lebanon's environmental problems. Support for the center will continue, and AUB will be encouraged to intensify its efforts and become even more involved in the development of Lebanon.

Although the USAID reconstruction programs in rural communities were not originally designed to have positive local environmental impact, the restoration of economic activity, particularly farming, has proven to have a significant positive impact. This special objective

builds upon the local lessons learned and incorporates into the programs for targeted communities activities and training which aim to restore or preserve the local environment. NGOs involved in community reconstruction will be encouraged to work with environmental NGOs, the GOL and other donors to ensure that activities are not only environmentally sound, but beneficial.

Assumptions

- ☐ Targeted support for specific activities or units of the universities will strengthen their ability to participate in national and even regional development.
- ☐ Reconstruction activities to restore economic activity in rural communities can have positive environmental impact.

Performance Measures

SpO Indicator 3.1 Number of technical assistance activities conducted by the AUB Environmental Program

SpO Indicator 3.2 Level of utilization of the Core Environmental Lab

SpO Indicator 3.3 Increased Environmental Analysis:

- a. No. spot-check samples of water quality*
- b No. samples monitoring hazardous substances*

SpO Indicator 3.4 Land area in rural communities restored to or placed in environmentally managed use

Special Objective 4: *Improved National Policies*

Lebanon is struggling to reestablish its position in the world community. Policy reforms are much needed and are as critical to the recovery of Lebanon as the investments it is making in infrastructure. USAID's experience and expertise in policy reform can play an important role. Funds will be utilized to work with the Government of Lebanon and the private sector to provide studies, technical assistance and training, where the assistance may have a catalytic effect that leads to immediate results. USAID is already providing assistance to ensure that legislation to govern the nascent stock exchange is compatible with international norms and

conducive to foreign investment. Other illustrative areas that may require assistance are financial sector reform, privatization, international trade, taxation, investment, social policy, environmental policy, civil service reform and other areas of structural adjustment. Assistance will be provided, to the extent possible, through centrally funded contracts or agreements with other USG agencies or departments.

Assumptions

- ☐ Political stability will be sufficient to allow more investors to view Lebanon as a favorable environment for private sector investment.
- ☐ The GOL will continue to follow the advice of the IMF and will cooperate with donors in a long-term program of structural reforms.

Performance Measures

SpO Indicator 4.1 Number of targeted policy interventions¹

SpO Indicator 4.2 Number of interventions that become law, regulation or funded activity

¹"Targeted" means that the policy intervention meets certain criteria, including (a) relevance to USG national or policy interests; (b) GOL has strong interest in early action on the policy; and/or (c) supports other USAID or USG programs in Lebanon.

Constraints to USAID Program Implementation

In analyzing what possible options USAID has in the design of a country strategy, it is important to identify the constraints the ANE Bureau has in operating a program in Lebanon. These include, but are not limited to:

Staff: Continuing security concerns have not permitted USAID to station USDH staff in-country to manage the program. Most grants and contract management is conducted from the ANE Bureau in Washington, which minimizes vulnerability, but requires that regular monitoring is done by two FSN staff located in the U.S. Embassy/Beirut. Hiring and firing of the FSN staff as well as daily supervision of the staff is done through the U.S. Embassy there.

Access and Interaction: One aspect of the war situation has not changed. Due to its assessment of direct threats to our nationals, the U.S. Department of State continues to enjoin

U.S. citizens from visiting Lebanon on U.S. passports. U.S. technical assistance can only be provided by foreign nationals or U.S. nationals who have dual citizenship. Therefore, it is difficult for U.S. citizens to assume a large distinct role in the program. The Lebanon travel ban impacts on all aspects of USAID and U.S. NGO and PVO project development and implementation. Although USDH staff periodically visit the American Embassy in Beirut for program oversight, they are permitted to venture outside the Embassy compound only with heavy security. Under these conditions USAID cannot have the kind of daily contact with partners, GOL policy makers, and members of the Country Team that would be preferable for the level and type of program contemplated. The program strategy discussed herein can be accomplished without a lifting of the travel ban or an increase in the near term of FSN staff levels. It cannot be accomplished without the presence of a USDH USAID Representative.

Staffing Levels, Operating Expenses and ICASS*

In February, 1997, an NSDD-38 cable was forwarded to the Chief of Mission/Lebanon, requesting the reestablishment of the USAID Representative position in Lebanon. The Ambassador subsequently concurred in the request. Between February 6-17, a USAID team reviewed, in Lebanon, the staffing, OE costs and ICASS costs of placing a USAID Representative and implementing the strategy described herein.

Staffing: The team concluded that while the program will require the placement of a USAID Representative, the only immediate requirement for other increases in staff is the hiring of two additional driver/body guards who would be assigned to the Embassy FSN rolls. One of two drivers currently employed may be transferred to the Embassy FSN rolls, leaving one USAID FSN position vacant. That position may at some point be upgraded to permit the Mission to hire a financial analyst, but that is a decision to be taken in the future.

Operating Expenses: The team estimated that the start-up costs for FY97 to reestablish the USAID Representative position at \$63,500, with a recurring annual OE cost increase of \$150,400. (Current OE costs are \$133,000.) With the USAID Representative, the OE is estimated to be \$283,400.

ICASS: The current FY97 ICASS is \$153,672. Accepting the team's recommendations not to increase the USAID office space and to lease modest residential housing, results in an ICASS of \$320,212. (This figure will be further reduced if USIS, as planned, places a PAO in Lebanon.)

"Threshold of Pain" Analysis

Annex C contains tables which analyze the impact of resource levels reduce to 70% and 50%. Under both scenarios, all programs under all objectives would continue; however, smaller reductions would be made in the activities under SO1 Reconstruction and

*Staffing, OE and ICASS tables will be provided and submitted to M/B/SB upon approval of the strategy and the USAID Representative position.

Expanded Economic Opportunity. Funding for policy studies under SpO4 would be reduced, as would some activities under SpO2 and some local environmental programs under SpO3. The major impact of reduced funding, should it occur early in the strategy period, will be a reduction in the number of community clusters which will receive assistance. After year three of the strategy period, a reduction in funding would result in a curtailment of activities in the community clusters, spread proportionately. In terms of staffing levels, even a 50% reduction would not eliminate the need for the USAID Representative, and the FSN staff is already at minimal levels. Furthermore, as can be seen by the Budget Request Tables, a reduction occurring as early as FY98 would still leave a substantial pipeline to be expended in the community clusters and institutional development.

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LEBANON
COUNTRY PROGRAM STRATEGY
1997-2002

Annex A

USAID/Lebanon Results Framework

LEBANON
COUNTRY PROGRAM STRATEGY
1997-2002

Annex B

Performance Data Table

LEBANON
COUNTRY PROGRAM STRATEGY
1997-2002

Annex C

Life-of-Strategy Resource Requirements Tables

ATTACHMENT 1

UNCLASSIFIED CABLE

**SUBJECT: REVIEW OF LEBANON COUNTRY
DEVELOPMENT STRATEGY FY 1997-2002**

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FY 1997-2002

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SUMMARY

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1. THE AGENCY HAS REVIEWED AND CONDITIONALLY APPROVED THE REVISED LEBANON COUNTRY DEVELOPMENT STRATEGY FOR FY 1997-2002, WITH THE QUALIFICATIONS NOTED BELOW. THE MISSION IS DIRECTED TO PROCEED WITH IMPLEMENTATION OF THE REVISED STRATEGY SUBJECT TO THE COMMENTS AND ACTIONS PRESENTED BELOW. THE REVISED SO AND SPOS WILL BE ENTERED INTO NMS IN WASHINGTON.

STRATEGY REVIEW

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2. ON MARCH 21, 1997 THE FINAL PROGRAM REVIEW OF THE LEBANON 1997-2002 COUNTRY DEVELOPMENT STRATEGY WAS CHAIRED BY DAA/ANE TERRENCE BROWN. THE FINAL REVIEW WAS THE CULMINATION OF A SERIES OF TECHNICAL REVIEWS OF THE

PROGRAM AND RESOURCE IMPLICATIONS OF THE STRATEGY, WHICH WAS DEVELOPED BY A USAID/W TEAM THAT CONSULTED WITH THE COUNTRY TEAM IN LEBANON. WHILE THE STRATEGY IS NOT COMPLETE IN ALL ASPECTS, IT CHARTS A DIRECTION THAT IS APPROPRIATE TO THE DEVELOPMENT NEEDS OF LEBANON AND THE POLICY OBJECTIVES OF THE USG. MOREOVER, THE REVIEW CONCLUDED THAT THE STRATEGY CAN BE IMPLEMENTED WITHIN THE PRESENT AND PROJECTED FUNDING AND STAFF RESOURCE LEVELS AND HAS THE ELEMENTS TO ACHIEVE A SIGNIFICANT MAGNITUDE OF IMPACT. IT IS AGREED THAT THE USAID/BEIRUT REPRESENTATIVE WILL SUBMIT, AND USAID/W SHALL REVIEW, LEVEL OF IMPACT

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PROJECTED IN PERFORMANCE INDICATORS, BASELINES AND TARGETS TO BE DEVELOPED NLT SEPTEMBER 30, 1997. THESE SHALL THEN BE INCORPORATED INTO THE STRATEGY AND NMS.

3. STRATEGY PARAMETERS: USAID/BEIRUT HAS BEEN A LIMITED-PRESENCE POST WITH NO DIRECT HIRE PRESENCE SINCE 1989, AND HAD BEEN PROJECTED TO PHASE DOWN TO A NON-PRESENCE POST BY 1999. IN 1996, THE USG REVERSED THIS TREND WITH A DECISION TO PROVIDE DOLS 12 MILLION IN ESF IN FY97 AND TO REQUEST DOLS 12 MILLION FOR FY98. LEBANON, AN INTEGRAL PART OF THE MIDDLE EAST PEACE PROCESS, IS STILL EMERGING FROM THE SOCIAL, POLITICAL AND ECONOMIC EFFECTS OF THE CIVIL WAR THAT LASTED FROM 1975 TO 1990. ITS STABILITY AND CONTINUED ECONOMIC GROWTH ARE IMPORTANT TO THE PEACE PROCESS AND REGIONAL STABILITY. INCREASED FUNDING AND THE IMPERATIVE TO DESIGN AND IMPLEMENT A HIGHLY VISIBLE U.S. ASSISTANCE PROGRAM LED TO THE DECISION TO REDESIGN THE COUNTRY DEVELOPMENT STRATEGY AND TO AUGMENT USAID PRESENCE WITH THE PLACEMENT OF A USAID REPRESENTATIVE IN BEIRUT. THE 1997-2002 COUNTRY DEVELOPMENT STRATEGY EMBODIES LESSONS LEARNED AND BEST PRACTICES FROM USAID'S LONG ASSOCIATION WITH LEBANON, BUT REFLECTS NEW POLICY IMPERATIVES TO EXPAND AND DEEPEN THEIR EXPECTED RESULTS. AT THE SAME TIME, THE STRATEGY TAKES INTO ACCOUNT THE LIMITATIONS IMPOSED BY AN UNSTABLE AND HIGHLY SENSITIVE POLITICAL ENVIRONMENT, EXTRAORDINARY SECURITY REQUIREMENTS, AND TRAVEL RESTRICTIONS ON U.S. CITIZENS.

RESULTS ACHIEVED DURING 1996

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UNDER THE OLD SPO 1--SUSTAINED RURAL COMMUNITY RECONSTRUCTION AND REHABILITATION, USAID'S RURAL RECONSTRUCTION PROGRAM EXTENDED BEYOND THE WAR-DAMAGED ZONES INTO COMMUNITIES MARKED BY HIGH POVERTY AND GOVERNMENT NEGLECT. IN THESE AREAS, DURING 1996, HOUSING WAS RESTORED (710 UNITS), INFRASTRUCTURE (ROADS,

IRRIGATION, POTABLE WATER) WAS BUILT OR RESTORED (187 PROJECTS), AND SKILLS TRAINING WAS PROVIDED TO 1,083 PEOPLE IN 38 SESSIONS. RECENT EVALUATIONS SHOW THAT NUMERICAL TARGETS FOR COMMUNITY PROJECTS HAVE BEEN EXCEEDED; COMMUNITY CONTRIBUTIONS HAVE OFTEN EXCEEDED AMOUNTS PROVIDED BY USAID; NEW COMMUNITY AWARENESS, COOPERATION AND IDENTITY HAS BEEN CREATED; COMMUNITIES ABANDONED FOR OVER 15 YEARS ARE COMING BACK TO LIFE ECONOMICALLY AS WELL AS SOCIALLY; AND PVOS COOPERATE WELL AMONG THEMSELVES AND WITH GOL AGENCIES.

UNDER SPO 2--INCREASED EFFECTIVENESS OF SELECTED DEMOCRATIC INSTITUTIONS WHICH SUPPORT DEMOCRACY, BASELINES AND TARGETS FOR INDICATORS HAVE NOT YET BEEN FINALIZED. FROM RESULTS REPORTED VERBALLY, PERFORMANCE APPEARS TO BE ON TRACK. THE CONTROL AGENCIES' USE OF SYSTEMS AND DATABASES HAS INCREASED THEIR EFFICIENCY, EFFECTIVENESS AND SELF-CONFIDENCE. THIS HAS LED, PARTLY AS A CONSEQUENCE OF USAID ASSISTANCE, TO THE CONTROL AGENCIES BEING GIVEN ADDED IMMUNITY FROM POLITICAL INTERFERENCE TO BETTER FIGHT CORRUPTION. THE NEWLY-ELECTED PARLIAMENT IS TAKING A MORE ACTIVE ROLE IN POLICY FORMULATION AND GOVERNMENT OVERSIGHT, AS WELL AS ADOPTING MORE INTERNAL

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TRANSPARENCY. THE GOL (AND THE PUBLIC) HAVE DEMONSTRATED THEIR CONFIDENCE IN THE USAID ACTIVITY THAT IS NON-POLITICAL, TECHNICALLY COMPETENT, ON-TIME AND RESPONSIVE. USAID HAS NOW BEEN ASKED TO DEVELOP A UNIFIED BUDGET SYSTEM.

UNDER THE OLD SPO3--ENHANCED CAPABILITY OF INSTITUTIONS OF HIGHER EDUCATION TO CONTRIBUTE TO LEBANON'S DEVELOPMENT OBJECTIVES, THE AMERICAN UNIVERSITY'S ENVIRONMENTAL CENTER LABORATORIES ARE NOW BEING EQUIPPED AND SUPPLIED, STAFF IS BEING HIRED AND TRAINED, AND THE CENTER WILL BE SUPPLYING EXPANDED HIGH-TECHNOLOGY RESEARCH AND TESTING SERVICES TO GOVERNMENT AND PRIVATE CLIENTS ON WATER AND WASTE PROBLEMS. THE LEBANESE AMERICAN UNIVERSITY HAS DESIGNED AN OUTREACH CENTER FOR SPONSORED RESEARCH AND DEVELOPMENT TO WORK WITH THE LEBANESE PRIVATE SECTOR ON INDUSTRIAL STANDARDS, INFORMATION TECHNOLOGY, AND MANAGEMENT EDUCATION.

UNDER THE OLD SPO 4--EXPANDED ECONOMIC OPPORTUNITIES, POVERTY LENDING PROGRAMS HAVE BEEN EXPANDED INTO DOZENS OF NEW COMMUNITIES, BOTH RURAL AND URBAN, WITH 147 GROUPS OF WOMEN RECEIVING 1,700 LOANS. THE CENTRAL BANK (WITH PERSONAL ENCOURAGEMENT OF THE PRIME MINISTER) IS NOW PROMOTING THE PASSAGE OF CAPITAL MARKETS LEGISLATION THAT MEETS INTERNATIONAL STANDARDS, FOLLOWING USAID-SUPPORTED ASSISTANCE.

LEBANON COUNTRY DEVELOPMENT STRATEGY 1997-2002

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4. THE MAIN FOCUS OF THE STRATEGY IS ECONOMIC GROWTH, WITH SIGNIFICANTLY EXPANDED PROGRAMS IN ENVIRONMENT AND DEMOCRATIC GOVERNANCE. THE STRATEGY, AS APPROVED, CONSISTS OF ONE STRATEGIC OBJECTIVE AND TWO SPECIAL OBJECTIVES.

STRATEGIC OBJECTIVE 1--RECONSTRUCTION AND EXPANDED ECONOMIC OPPORTUNITY (ESTIMATED DOLS 40 MILLION LIFE-OF-STRATEGY)

- APPROACH: THE MAJOR FOCUS OF SO1 IS ACTIVITIES IN RURAL COMMUNITY RECONSTRUCTION AND DEVELOPMENT THAT WILL BE CONCENTRATED IN TARGETED CLUSTERS OF COMMUNITIES AND WILL CONSIST OF INFRASTRUCTURE, INCOME-GENERATION, RESTORATION OF SOCIAL SERVICES, AND CIVIC PARTICIPATION. ACTIVITIES BUILD UPON EXPERIENCE GAINED IN SIMILAR ACTIVITIES THAT HAVE BEEN IMPLEMENTED BY USAID-FUNDED NGOS OVER THE PAST SEVERAL YEARS. THE SO ALSO INCLUDES: MICROENTERPRISE CREDIT ACTIVITIES THAT ARE NATIONAL IN SCOPE, BUT WILL ALSO BE PROVIDED IN THE RESPECTIVE COMMUNITY CLUSTERS, AND BUSINESS/UNIVERSITY LINKAGE ACTIVITIES BY THE U.S. UNIVERSITIES LOCATED IN LEBANON. INTERMEDIATE RESULTS INCLUDE: SELECTED RURAL COMMUNITIES REVITALIZED; SMALL AND MICROENTERPRISE ENHANCED; AND BUSINESS/UNIVERSITY LINKAGES ESTABLISHED.

- STATUS/AGREEMENT: AT THIS TIME, INDICATORS, BASELINES AND PERFORMANCE MEASURES ARE INCOMPLETE AND CANNOT BE FULLY SPECIFIED UNTIL PROPOSALS ARE RECEIVED FROM NGOS TASKED TO IMPLEMENT RESPECTIVE ACTIVITIES. USAID/LEBANON

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SHALL REVIEW AND REVISE INDICATORS FOR INTERMEDIATE RESULT 1.3 (BUSINESS/UNIVERSITY LINKAGES ESTABLISHED) AND SHALL PROVIDE APPROVED PERFORMANCE DATA TABLES FOR ALL SO INDICATORS FOR THE STRATEGY PERIOD NLT SEPTEMBER 30, 1997. THESE PERFORMANCE DATA TABLES WILL PROVIDE THE BASIS FOR THE RESULTS AND RESOURCE REVIEW IN 1998. G/WID AGREES TO PROVIDE TECHNICAL ASSISTANCE DURING THE DESIGN PHASE.

SPECIAL OBJECTIVE 1--INCREASED EFFECTIVENESS OF SELECTED INSTITUTIONS WHICH SUPPORT DEMOCRACY (ESTIMATED DOLS 4 MILLION LIFE-OF-STRATEGY)

- APPROACH: SPO1 BUILDS UPON EXISTING ACTIVITIES TO IMPROVE THE EFFECTIVENESS OF THE PARLIAMENT AND THREE

MAJOR CONTROL AGENCIES BY IMPROVING THEIR RESPECTIVE CAPACITIES. THESE ACTIVITIES WILL CONTINUE TO COMPLETION AND MAY BE AUGMENTED. IN RESPONSE TO SCHEDULED MUNICIPAL ELECTIONS (THE FIRST SINCE 1964), NEW ACTIVITIES WILL BE INITIATED TO ASSIST THE CENTRAL GOVERNMENT AND MUNICIPAL GOVERNMENTS IN THE CLUSTERS IDENTIFIED IN SO1 TO IMPLEMENT THE REESTABLISHMENT OF LOCAL GOVERNMENT INSTITUTIONS AND TO PROMOTE EFFECTIVE LOCAL GOVERNANCE THROUGH CIVIL SOCIETY PARTICIPATION.

- STATUS/AGREEMENT: WHILE THE STRATEGY IDENTIFIES THOSE AREAS OF DEMOCRACY AND GOVERNANCE WHERE THE PROGRAM IS CURRENTLY ENGAGED AND DESCRIBES ACTIVITIES IN MUNICIPAL AND LOCAL GOVERNANCE, NOT ALL PARTS OF THE SPO ARE EQUALLY DEFINED. BY SEPTEMBER 30, 1997, MISSION WILL PROVIDE NARRATIVE LANGUAGE THAT WILL: BETTER DESCRIBE RESULTS AND

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IMPACTS ACHIEVED TO DATE; BETTER DESCRIBE RESULTS AND IMPACTS TO BE ACHIEVED; CLARIFY THE STRATEGY'S APPROACH TO GENDER, PARTICULARLY IN THE AREA OF LOCAL GOVERNANCE; AND SPECIFY THE LINKAGE WITH POLICY INITIATIVES. BASELINES, TARGETS AND PERFORMANCE MEASURES WILL BE PROVIDED BY THE SAME DATE. G/WID AGREES TO PROVIDE TECHNICAL ASSISTANCE DURING THE DESIGN PHASE. MISSION WILL CONSIDER A SEPARATE INTERMEDIATE RESULT FOR LOCAL GOVERNANCE AND REPORT AT THE NEXT R4 REVIEW.

SPECIAL OBJECTIVE 2--IMPROVED ENVIRONMENTAL PRACTICES
(ESTIMATED DOLS 12 MILLION LIFE-OF-STRATEGY)

- APPROACH: SPO2 INCORPORATES CURRENT SUPPORT FOR THE AMERICAN UNIVERSITY OF BEIRUT (AUB) ENVIRONMENTAL RESEARCH CENTER AND CONTEMPLATES EXPANSION OF THE CENTER'S ACTIVITIES. ADDITIONALLY A SIGNIFICANT LEVEL OF FUNDING WILL BE PROVIDED TO ENVIRONMENTAL AND BIO-DIVERSITY ACTIVITIES IN THE CLUSTERS TO BE IDENTIFIED UNDER SO1.

- STATUS/AGREEMENT: WHILE THE STRATEGY IDENTIFIES THOSE AREAS IN ENVIRONMENT WHERE THE PROGRAM IS CURRENTLY ENGAGED, NOT ALL RESULTS UNDER THE SPO ARE EQUALLY DEFINED. G/ENV AND SEA WILL ASSIST THE MISSION TO ASSESS ENVIRONMENTAL PRIORITIES IN LEBANON; IDENTIFY SIGNIFICANT AREAS OF POTENTIAL ACTIVITY UNDER SPO3; ANALYZE ENVIRONMENTAL ACTIVITIES PROPOSED FOR THE COMMUNITY CLUSTERS BY NGOS; AND DEVELOP/REVIEW BASELINES, TARGETS AND PERFORMANCE MEASURES. THE TARGET DATE FOR THE LATTER IS SEPTEMBER 30, 1997, SUBJECT TO COMPLETION OF THE ABOVE MENTIONED ASSESSMENT, BUT NOT LATER THAN THE NEXT R4

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REVIEW. G/WID AGREES TO PROVIDE TECHNICAL ASSISTANCE DURING THE DESIGN PHASE.

SPECIAL OBJECTIVE 3--IMPROVED NATIONAL POLICIES (ESTIMATED DOLS 4 MILLION LIFE-OF-STRATEGY)

- APPROACH: SPO3 WILL PROVIDE FUNDING FOR POLICY STUDIES AND OTHER ACTIVITIES, ACROSS A BROAD SPECTRUM, WHERE THE RESPECTIVE ASSISTANCE MAY HAVE A CATALYTIC IMPACT UPON NATIONAL POLICIES THAT ARE RELEVANT TO THE USAID PROGRAM AND/OR ARE CLEARLY WITHIN THE POLICY INTERESTS OF THE USG.
- STATUS/AGREEMENT: THE USAID/W REVIEW TEAM DISCUSSED WHETHER: (A) POLICY REFORM SHOULD FORM THE BASIS OF A SEPARATE OBJECTIVE; OR (B) REFORM ACTIVITIES SHOULD SUPPORT THE OTHER THREE AREAS OF FOCUS, THEREBY BEING CONTAINED WITHIN SO1, SPO1 AND SP02. IN THE PRELIMINARY MEETINGS, IT WAS DECIDED THAT NO MATTER WHICH APPROACH WAS TAKEN, A POLICY ASSESSMENT OF LEBANON SHOULD BE UNDERTAKEN TO LOOK AT THE BROAD POLICY CONSTRAINTS, INFORM USAID'S UNDERSTANDING OF THIS AREA, AND ESTABLISH THE PARAMETERS OF ACTIVITIES APPROPRIATE TO THIS SPO. THIS ASSESSMENT SHOULD INCLUDE ISSUES RELATED TO ECONOMIC GROWTH, DEMOCRACY/GOVERNANCE AND ENVIRONMENT. AT THE PROGRAM REVIEW, IT WAS DETERMINED THAT THE RESULTS CONTEMPLATED UNDER THIS SPO SHOULD BE INCORPORATED UNDER SO1 AND THE OTHER TWO SPOS. ACCORDINGLY, SPO3 IS DELETED FROM THE STRATEGY. UPON COMPLETION OF THE ASSESSMENT, MISSION WILL COMPLETE BASELINES, TARGETS AND PERFORMANCE MEASURES FOR POLICY REFORM AND INCORPORATE THE SAME UNDER SO1, SPO1 AND SPO2, AND THE ESTIMATED FUNDING LEVELS FOR POLICY REFORM

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WILL BE REDISTRIBUTED. THIS DECISION EMPHASIZES THE IMPORTANCE OF POLICY REFORM AS A TOOL TO SUPPORT AND STRENGTHEN THE OBJECTIVES OF SO1, SPO1 AND SPO2.

STAFFING AND SUPPORT

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5. SECURITY AND OTHER CONSIDERATIONS LIMIT USDH STAFF TO THE USAID REPRESENTATIVE, ASSISTED IN FY97 BY TWO FSN PROFESSIONALS AND TWO FSN SUPPORT STAFF, TO BE INCREASED BY FY99 TO TWO FSN SUPPORT AND FOUR FSN PROFESSIONAL STAFF. THE LIMITATIONS ON STAFFING AND THE PROGRAM LEVELS CONTEMPLATED UNDER THE STRATEGY NECESSITATE GSO/ADMIN, FM, PROCUREMENT, AND PROGRAMMATIC SUPPORT FROM MISSIONS IN THE REGION AND USAID/W. THE USAID REPRESENTATIVE MUST BE SUPPORTED BY A QUOTE VIRTUAL UNQUOTE TEAM THAT WILL PLAY AN INTEGRAL ROLE IN THE IMPLEMENTATION OF THE PROGRAM, AND ALL MEMBERS OF THAT TEAM MUST BE COGNIZANT OF THE IMPORTANCE OF THEIR RESPONSIBILITIES AND THEIR TIMELY

ATTENTION. PRIOR TO DEPARTURE OF THE USAID/BEIRUT REPRESENTATIVE TO POST, TEAM MEMBERS WILL BE IDENTIFIED, A TEAM CHARTER WILL BE PREPARED, AND ROLES ASSIGNED UNDR NMS.

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